

Volume 1 – Section 1

Application for Change in Electric Rates

PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

In the Matter of the Application by Otter Tail
Corporation d/b/a Otter Tail Power Company
for Authority to Increase Rates for Electric
Service in South Dakota

Docket No. EL08-_____

APPLICATION

COMES NOW, Otter Tail Corporation d/b/a Otter Tail Power Company (“Otter Tail Power Company” or the “Company”), the Applicant in the above-entitled proceeding, and respectfully states as follows:

I.

That Otter Tail Power Company is an operating division of Otter Tail Corporation, a Minnesota corporation duly authorized to do business in the State of South Dakota as a foreign corporation, and that it is doing business in the State of South Dakota as a public utility, providing electric service to approximately 11,700 retail customers.

II.

That the Certificate of Incorporation and Amendments thereto, have previously been filed with the South Dakota Public Utilities Commission (“Commission”) and such Certificate and Amendments are incorporated into this Application by reference as though fully set forth herein.

III.

That Applicant’s full name and post office address are:

Otter Tail Corporation d/b/a Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537

IV.

As part of this Application, Otter Tail Power Company has filed 30 revised rate sheets that modify the rates the Company will charge to its approximately 11,700 South Dakota retail customers. The revised rate sheets are provided in Volume 3 of this Application in both legislative format and non-legislative format.

V.

That the existing rates of Otter Tail Power Company, are inadequate to allow the Company to recover its cost of providing service along with an adequate rate of return, and that the rates should be increased so that the Company will have an opportunity to recover its cost of providing service and earn a reasonable rate of return on its electric property used and useful in providing electric service in South Dakota.

VI.

That in submitting this Application and in proposing the implementation of the increased rates contained herein, Otter Tail Power Company is seeking additional revenues before income taxes of \$3,883,399 or 15.30 percent based on a 2007 test year with known and measurable changes and other appropriate adjustments. The Commission in its July 2, 2008 Order in Case No. EL08-013 granted a waiver that allowed the Company to use a 2007 test year, adjusted for known and measureable changes for this request. The revenue increases to customer classes are proposed to move rates closer to the cost of service. Increases to individual customer classes within a class will vary depending on particular usage patterns. The primary reasons for the increase in rates are increases in operating and maintenance expenses and increased investment since the Company's last rate case in 1987.

VII.

Otter Tail Power Company will prove by competent evidence that existing rates are inadequate and that said rates should be increased as requested herein. Filed concurrently with this Application are supporting Statements, and Schedules along with direct testimony and schedules of the Company's witnesses. More specifically, Otter Tail Power Company relies on the following testimony:

Thomas Brause	Policy
Peter Beithon,	Revenue Requirement, Class Cost of Service
Kyle Sem	Rate Base
Bernadeen Brutlag	Depreciation, Corporate Allocations
Kevin Moug	Cost of Capital
Robert Hevert	Return on Equity
Peter Wasberg	Compensation
David Prazak	Rate Design
Hethie Parmesano	Marginal Cost

VIII

That this Application is submitted in accordance with the provisions of South Dakota Codified Laws, Chapter 49-34A and the rules and regulations promulgated by the Commission.

IX

That the attestation of the accounting officer required by ARSD § 20:10:13:50 of the Commission's Rules is included with this Application. The revenue estimates required by ARSD § 20:20:13:41 is provided in Statement I. The cost of service study required by ARSD

§ 20:10:13:43 is found in Statement O. The statement of system costs required by ARSD

§ 20:10:13:44 is found in Statement N. These statements are located in Volume 1, Section 3.

X.

Otter Tail Power Company hereby certifies that a notice of proposed change in electric service rates will be exhibited in a conspicuous place in business offices for Otter Tail's service territory affected by this Application at least thirty days prior to the date the change is to become effective. The notice will state that the proposed rates are available in that office for inspection. Otter Tail Power Company further certifies that the notice to individuals will be sent with their November billing and that it will give such other public notice as the Commission may direct.

XI

By this filing, Otter Tail Power Company does not waive any right it may have to update and amend this Application or the statements of fact, expert opinions, substantiating documents and exhibits to meet all claims, objections and allegation that may be made by any party to this proceeding. If the Commission desires additional information, the Company will be happy to handle such matters through data requests.

WHEREFORE, Applicant respectfully requests that the Commission:

1. Approve and adopt the proposed rate changes as set forth in Volume 3 of this Application to be effective upon final disposition of this docket;
2. Expedite any hearing which the Commission deems necessary to determine the propriety of Applicant's proposed rate schedules set forth herein, and issue its final order establishing the rates set forth herein; and

3. Grant such other and additional relief as the Commission shall deem just and proper.

Dated this 31st day of October 2008.

Otter Tail Corporation

/s/ THOMAS R. BRAUSE
Thomas R. Brause
Vice President Administration
Otter Tail Corporation
Doing business as Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537
(218) 739-8525
tbrause@otpc.com

State of Minnesota)

:ss

County of Otter Tail)

VERIFICATION

Thomas R. Brause, being first duly sworn, deposes and says that he is the Vice President Administration, Otter Tail Corporation, doing business as Otter Tail Power Company, the Applicant for an increase in its electric rates in the State of South Dakota, and makes this verification on its behalf; that he has read the Application, knows the contents thereof, and that the same is true to the best of his knowledge, information and belief.

/s/ THOMAS R. BRAUSE

Thomas R. Brause
Vice President Administration
Otter Tail Corporation
doing business as
Otter Tail Power Company

Subscribed and sworn
to before me this
31st day of October, 2008

/s/ DIANE MERZ

Notary Public

**STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of Otter Tail)
Corporation d/b/a Otter Tail Power Company)
for Authority to Increase Rates for Electric)
Service in South Dakota)

Case No. EL08-_____

NOTICE OF PROPOSED CHANGE OF RATES AND CHARGES

NOTICE IS HEREBY GIVEN that Otter Tail Power Company has filed an application with the South Dakota Public Utilities Commission for an increase in its electric rates and other changes to the tariffs for service to its South Dakota electric customers. The effective date of the proposed changes is November 30, 2008.

This notice was included as part of the Company's Application to the South Dakota Public Utilities Commission.

Under South Dakota law, you have a right to join with 24 other customers in Otter Tail Power Company's South Dakota service area to file a written objection to this proposed rate increase, and you may request the Commission to suspend the rate increase and hold a public hearing to determine whether such rate increase should be allowed.

The Application, including the proposed rates and changes and supporting testimony and schedules, is available in this office for inspection. The increase in rates is needed in order for the Company to continue to provide service to our customers as reliably, economically, and environmentally responsibly as possible. The last time the Company's electric rates were increased in South Dakota was in 1987.

The proposed rate and tariff changes would result in an annual increase of base electric revenues of \$3,883,399, or 15.30 percent. The proposed change in rates will result in an average increase of \$10.68 per month or 15.0 percent on typical residential customers under the rate design proposed by the Company. Additional rate impacts are discussed in the testimony of Mr. Prazak. The proposed changes would affect the billings of approximately 11,700 customers in the Company's South Dakota service area. If you have any questions regarding the Company's Application, please feel free to contact Otter Tail's Area Manager for South Dakota, Kevin Kouba.

Otter Tail Corporation
Doing business as
Otter Tail Power Company

By /s/ THOMAS R. BRAUSE
Thomas R. Brause
Vice President Administration

Date: October 31, 2008

**STATE OF SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of Otter Tail)
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for Authority to Increase Rates for Electric)
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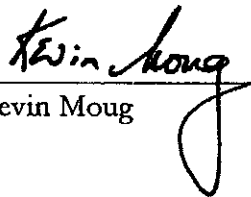
Case No. EL08-_____

**STATEMENT AND AFFIDAVIT OF KEVIN MOUG
PRINCIPAL ACCOUNTING OFFICER**

To the South Dakota Public Utilities Commission:

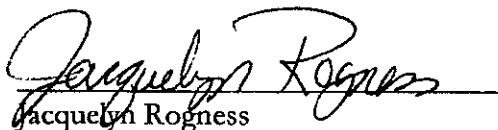
Kevin Moug, being first duly sworn on oath, deposes and states that:

1. I am the Chief Financial Officer for Otter Tail Corporation (the "Company"), the Applicant for an increase in its electric service rates in South Dakota.
2. The cost statements, working papers, and other supporting data submitted as a part of this filing or maintained by the Company in support of the filing, which purport to reflect the books of the Company do, in fact, set forth the results shown by the books.



Kevin Moug

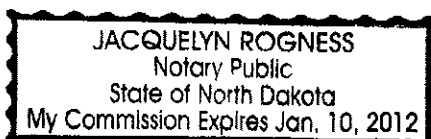
SWORN TO BEFORE ME this
23rd day of October, 2008.



Jacquelyn Rogness

NOTARY PUBLIC
State of North Dakota

My Commission expires January 10, 2012.



Notice of proposed increase in electric rates

At Otter Tail Power Company we want you to have as much information as possible about your electric rates so you can make wise choices regarding your energy use. On October 31, 2008, we asked the South Dakota Public Utilities Commission (PUC) for permission to increase our electric rates by approximately \$3.8 million, or approximately 15.3 percent overall. This does not mean that all customers will see a 15.3 percent increase. The amount of change in each customer's monthly bill will vary based on their electric service rates and electricity use.

An average residential customer using 894 kWh of electricity a month will see an increase of \$10.68 a month over 2007. An average commercial customer using 3,073 kWh of electricity a month will see an increase of \$29.39 a month over 2007.

Otter Tail Power Company's last request for a rate increase in South Dakota was in 1987. We are requesting this increase to recover rising costs and to meet the growing demand for electricity as we serve customers as reliably, economically, and environmentally responsibly as possible.

For more information

You can view the rate case filing at our Milbank, Morris, Oakes, and Wahpeton Customer Service Centers, on the Otter Tail Power Company web site www.otpc.com, and on the PUC web site www.state.sd.us/puc. If you have additional questions, please contact Otter Tail Power Company Customer Service at 800-257-4044. You also may contact the PUC staff at 605-773-3201 or pucconsumerinfo@state.sd.us if you have concerns.

Under South Dakota law, you have the right to join with 24 other customers in Otter Tail Power Company's South Dakota service area to file a written objection to this proposed rate increase, and you may request the PUC to suspend the rate increase and hold a public hearing to determine whether such a rate increase should be allowed.

We appreciate being your electric service provider, and we promise to remain diligent about finding the most efficient, responsible, and cost-effective ways to serve you, as we have since 1909.